

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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R 072032Z MAY 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 0057

INFO AMCONSUL GUAYAQUIL

CONFIDENTIAL QUITO 3330

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJECT: TEXACO-GULF PRESENT \$250 MILLION INVESTMENT PLAN TO  
SUPREME COUNCIL

1. PHILLIP E. WYCHE, GULF VICE PRESIDENT, AND JACK O'BRIEN,  
LOCAL GULF MANAGER, CALLED ON CHARGE AFTERNOON OF MAY 5  
TO INFORM HIM OF RESULTS OF THAT MORNING'S MEETING WITH  
SUPREME COUNCIL. TEXACO VICE PRESIDENT ROBERT SHIELDS  
PARTICIPATED IN THE MEETING AS DID MINISTER OF NATURAL  
RESOURCES RENE VARGAS AND CEPE MANAGER COLONEL LUIS PEINEIROS.

2. TEXACO-GULF PRESENTED THE MEMBERS OF THE SUPREME COUNCIL  
WITH A \$250 MILLION, 16-YEAR INVESTMENT PROGRAM, COVERING  
THE LIFE OF THE TEXACO-GULF-GOE CONTRACT WHICH EXPIRES IN  
JUNE 1992. UNDER THIS PLAN, TEXACO-GULF WOULD INCREASE  
PRODUCTION TO 250,000 BPD AND HOLD IT AT THAT LEVEL FOR THE  
DURATION OF THE CONTRACT.

3. TEXACO-GULF REPRESENTATIVES INFORMED THE SUPREME COUNCIL  
THAT THIS INVESTMENT PLAN IS PREDICATED ON TWO IMPORTANT  
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FACTORS. ONE PREREQUISITE IS GOE LEGISLATION THAT WOULD

PROVIDE FOR ACCELERATED AMORTIZATION OF PRESENT AND FUTURE TEXACO-GULF INVESTMENT TO ASSURE COMPLETE AMORTIZATION BY THE CONTRACT EXPIRATION DATE OF 1992. THE OTHER PREREQUISITE IS A 26-CENT DECREASE IN THE LEVEL OF GOVERNMENT TAKE, TO BRING TEXACO-GULF PROFITS TO ABOUT 50 CENTS A BARREL. (WYCHE SAID TEXACO-GULF'S PRESENT CASH PROFIT PER BARREL IS IN FACT ONLY 10 CENTS, RATHER THAN 24 CENTS, DUE TO DELAYS IN THE CASH FLOW SYSTEM.)

4. MINISTER OF NATURAL RESOURCES VARGAS FINALLY AGREED TO LONG-DEBATED NINE-CENT INCREASE IN PRODUCTION COST, ON CONDITION THAT TEXACO-GULF WOULD USE ONE OF POOL AMERICAS WORKOVER RIGS. TEXACO-GULF REPRESENTATIVES AGREED TO CONTRACT FOR THIS RIG BEFORE THE INCREASE IN PRODUCTION COST IS SIGNED.

5. WYCHE AND O'BRIEN ARE NOT OPTIMISTIC ABOUT GOE ACCEPTANCE OF THEIR PROPOSED INVESTMENT PLAN, FOR THEY BELIEVE THIS GOVERNMENT IS TOO UNSTABLE TO AGREE TO TEXACO-GULF'S MINIMUM CONDITIONS.

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## Message Attributes

**Automatic Decaptoning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, PETROLEUM INDUSTRY  
**Control Number:** n/a  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** powellba  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** powellba  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUL 2004 by SmithRJ>; APPROVED <02 NOV 2004 by powellba>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TEXACO-GULF PRESENT \$250 MILLION INVESTMENT PLAN TO SUPREME COUNCIL  
**TAGS:** ENRG, EC, TEXACO-GULF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006